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1. LOCAL ASSESSMENT OF CAPITAL STOCK OF CORPORATIONS.
  2. MORTGAGES.
  3. INSURANCE RESERVES.
  4. DEBT LIMITATIONS.
  5. TRANSFERS OF STOCKS.

# R E P O R T

OF THE

Committee on State and Municipal Taxation

OF THE

CHAMBER OF COMMERCE

OF THE

STATE OF NEW-YORK,

ON TAX MEASURES PENDING IN THE LEGISLATURE.

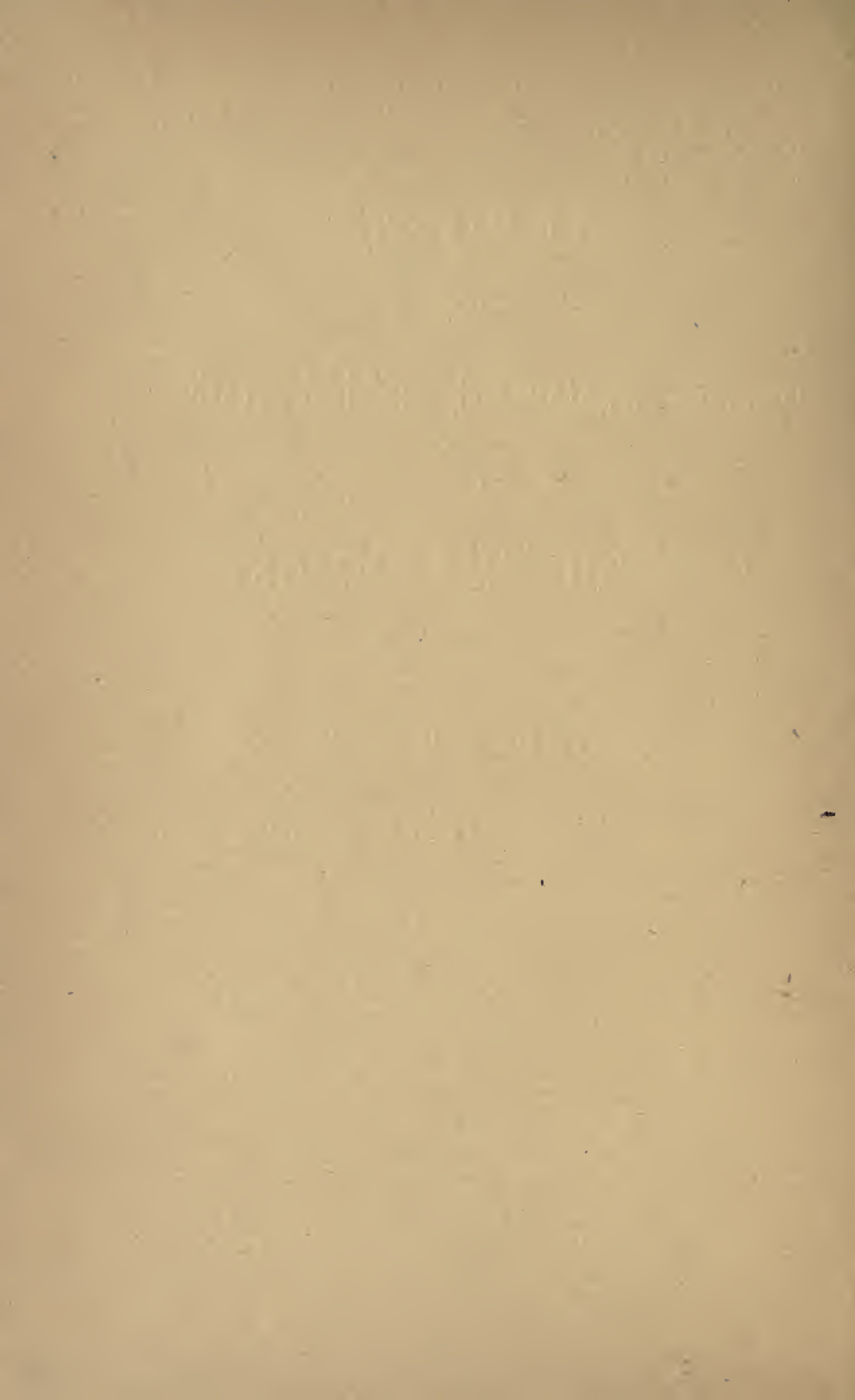
ADOPTED BY THE CHAMBER, MARCH 2D, 1905.

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NEW-YORK:

PRESS OF THE CHAMBER OF COMMERCE.

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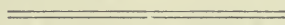
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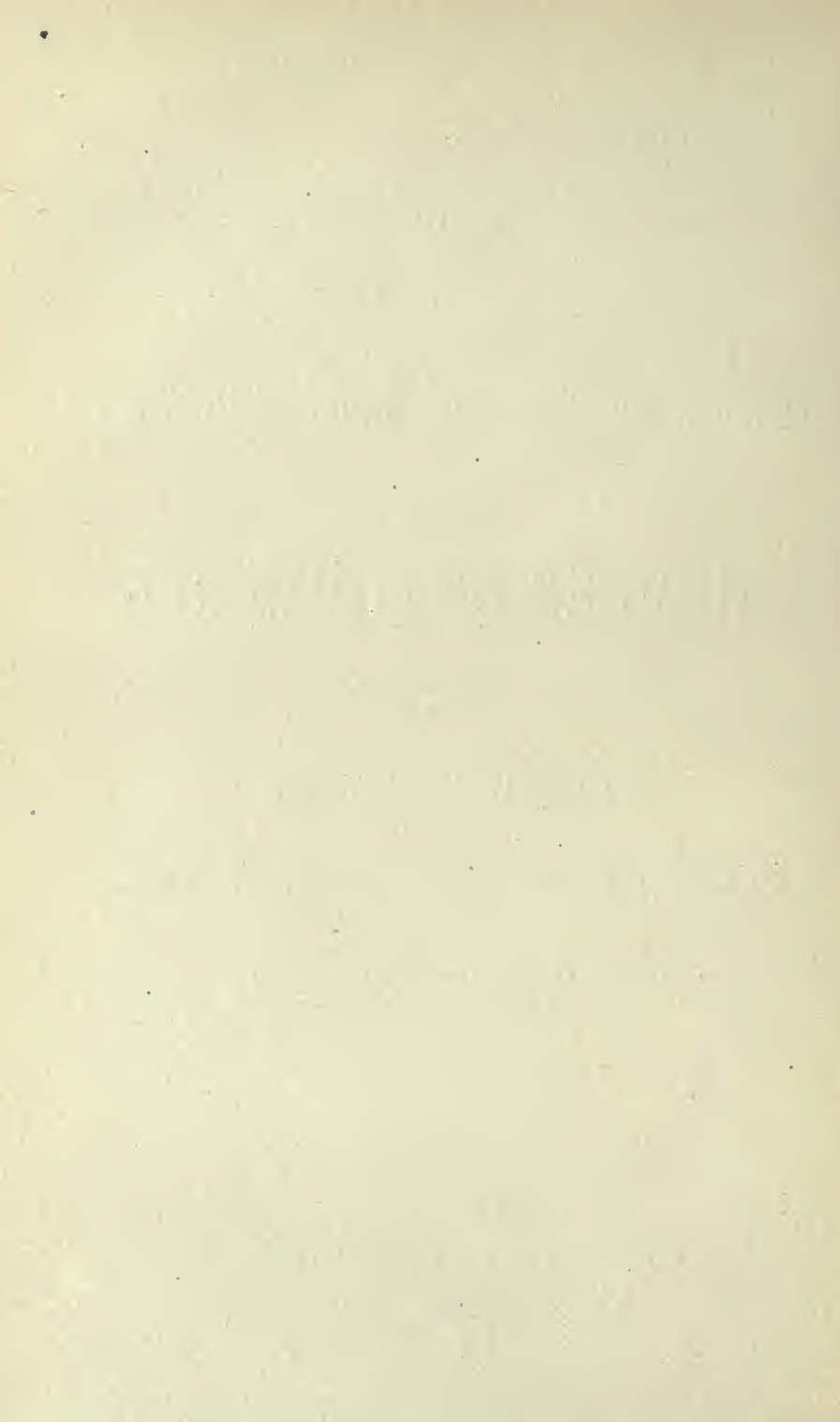
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# R E P O R T .

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*To the Chamber of Commerce :*

Your Committee on Taxation submits the following information in regard to measures of taxation now pending at Albany, and its opinion in each case.

As to opinions. The Committee desires to say in advance that its rule is to apply to any proposed measure the test of sound principles, as it understands them. It believes that the Chamber desires to be right, that it is not disposed to be unfair or ungenerous to the state or to the municipality, that special interests represented in the Chamber should not be favored excepting by the presentation of their matters on lines running with sound principles of taxation generally, that the proper cost of public administration must be met, that nothing should be said or done that is dictated by any purpose to promote any evasion of rightful burdens, and equally that any local interest has the right to expect this Chamber to stand for its defence against any tax measures that are inequitable or based upon wrong economic principles. We have no veto upon bad measures, but we have the right and duty to lead public opinion and to throw our weight for just things.

The measures pending at Albany are in some instances in conformity with what your Committee considers sound principles ; in other instances they are not.

*The Local Assessment of the Capital Stock of Corporations.*—Two bills have been introduced in the Senate, Nos. 317 and 318. Their purpose is to bring the text of the law into conformity with decisions of the courts, to simplify the language of the law, and to provide that intangible assets of corporations shall be subject to assessment in the proportion that tangible assets are assessed. At present tangible assets having *situs* in the State are taxed. Those the *situs* of which is without the State are not taxed, while all the

intangible assets are taxed without regard to *situs*. The exemption of intangible assets in the proportion that tangible assets are exempted appears to be just in principle and a practical way of dealing with a difficult subject.

Your Committee advises the Chamber to approve these bills.

*Mortgage Taxation.*—A bill (Assembly No. 638) has been introduced, the effect of which would be to abolish mortgage taxation. It runs much on the line of a law of Massachusetts that has effected this result. If passed, mortgages would not be placed on the assessment rolls but the owner of any mortgaged property could nevertheless deduct from the amount of any interest due to the mortgagee a sum equivalent to what the tax would be if levied. What would happen, of course, would be this : Stipulations would be inserted in all mortgages that the mortgagors would not make the deductions. This would leave mortgages free from taxation.

Your Committee does not believe that this bill will receive favor at Albany, but as it conforms to the Chamber's view that mortgages should not be taxed it believes that the Chamber should express approval of it.

*Senate Bill, No. 474*, is practically the BOSTWICK Bill of the last two sessions. It provides for the complete exemption of all mortgages from annual taxation, each new mortgage, however, to pay a recording tax of one-half of one per cent. for the benefit of the state.

The Chamber has, on more than one occasion, approved this proposal as a compromise, and your Committee advises approval again, although to an extent the bill runs counter to propositions heretofore accepted by the Chamber as follows :

1st. That it is an economic mistake to place any tax whatever on mortgages, and

2d. That it is not right for the state to take possession of any subject that is properly taxable locally to the exclusion of the locality in whole or in part.

Your Committee does not believe that this bill will pass unless regard shall be given to the right of the tax districts to share in the revenue.

*Senate Bill, No. 557*, provides for an annual tax on mortgages of one-half of one per cent., one-half to go to the state and one-half to the tax districts.

Bills similar to the above have been urged at each session for several years. On each occasion this Chamber has approved reports of your Committee adverse to such legislation. Your Committee advises the Chamber to again express its condemnation.

1st. On the ground that mortgages ought not to be taxed at all.

2d. On the ground that the taxes derived should go to the tax districts, the state receiving its share on the basis usual in direct taxation.

While this bill is highly objectionable on principle, it is also highly objectionable because of the difficulties and uncertainties that would attend its administration. The owners of mortgages are not easy to reach, as the mortgaged property may be in one section and the lender in another or in another state. Bills drawn to tax mortgages to the mortgagees are necessarily full of detail, and full of provisions that are not likely to stand the test of the courts.

*Insurance.*—A bill has been introduced in the Assembly (No. 261) the purpose of which is to subject to taxation the so-called Unearned Premium Reserves of Fire and Casualty Insurance Corporations.

This proposal was condemned by the Chamber about two years ago.

The law requires the companies to hold all unearned premiums as a liability. The law is right, for out of the moneys so held losses must be paid. The companies are trustees, practically, for policy holders until all obligations under their policies are discharged.

The debts to policy holders are, in nearly all cases, largely due to persons of other states. It has not been the policy of the state to tax here moneys held for persons not resident in the state.

Fire and Casualty companies are now taxed on real property and capital stock at the usual rates. They pay in these ways all the taxes imposed upon business corporations at large. They pay also a heavy tax, one per cent. a year, on all premiums received from policies written on property or lives within the state. There seems no reason why they should be subjected to further burdens.

Insurance indeed is an interest that should be dealt with generously. When issued on property it is a means to preserve property values that are taxable. When issued on lives it is a means to lift from the state as well as from the family some part at least of the loss following the death of the policy holder. A well ordered



state should, in its own interest and in the interest of the public, foster and not discourage insurance.

Insurance again is transacted in competition with the companies of other states and countries. Taxation may so hamper New-York companies as to seriously embarrass them in competition.

Insurance again brings into our state money drawn from all sections of the country in enormous volume and with unfailing regularity. This money enriches and enlarges our importance as a financial centre, and it often takes taxable forms. It should be encouraged accordingly.

*Debt Limitations.*—There are two measures pending, the purpose of each being to change the Constitution so as to remove some present restrictions in the creation of public debts. This subject is so large and of such importance that your Committee will be glad to have authority to print a report upon it for the information of members in advance of the next meeting of the Chamber. It will consider that it has such authority unless objection is made at this meeting.

*Tax on Transfers of Stock.*—This bill is in the Senate, No. 346.

It provides for a tax of two cents on each one hundred dollars of face value or fraction thereof "on all sales or agreements to sell, or "memoranda of sales, or deliveries, or transfers of shares or certificates of stock in any domestic or foreign association, company "or corporation, whether made upon or shown by the books of the "association, company or corporation, or by any assignment in "blank, or by any delivery, or by any paper, or agreement, or "memorandum, or other evidence of transfer or sale whether "entitling the holder in any manner to the benefit of such stock, "or to secure the future payment of money or the future transfer "of any stock, such tax to be paid by the affixing of stamps to the "certificates transferred or to the books in which the sales are "recorded, or in case that certificates are assigned in blank to a "memorandum of sale that must be given to the buyer."

The revenue is to go to the state.

Your Committee makes the following comments on this measure :

1st. That it is in direct violation of the rights of the local tax districts. If such a tax is a right one to levy at all it is a right one to levy locally, the revenue to be disposed of under the provisions of the general Property Tax laws, the locality taking its part and the state its part in right proportion.

2d. That the proposed tax is one that is disfavored by economists for the reason that it is not a tax on property, nor a tax on income or profits, but on a process of trade. As such it would be levied not once in a year but on each occasion when a transfer is made. It would be levied when the stock is sold, or deposited as collateral, and as often as these processes are effected. It would be levied also on promises for future deliveries apparently. It is a tax cumulative in such degree that its burdens might become not two cents on \$100 on an annual basis, but several times that.

3d. That it is an unequal tax. It is to be levied on face values, whether the security is worth ten dollars per share or two hundred or four thousand.

4th. It is a tax on paper evidences of ownership of property, which property if located in the state is already taxed here, and if located elsewhere is taxed there. It runs counter in this respect to provisions of law that are becoming well nigh universal.

5th. It would be burdensome in details and it might be so burdensome in effect as to seriously endanger the position of New-York as a financial centre. A movement of exchange equivalent to two cents on one hundred dollars has often caused the over-sea shipment of gold to the extent of millions of dollars. There seems to be no reason why the same burden on stock transfers might not produce a similar effect on the business of buying and selling stocks.

6th. Arbitrary legislative interferences with normal processes on the exchanges of Paris and Berlin have, it is said, affected in a serious way the business of those exchanges. There are other exchanges in America and some stocks are now dealt in at other points to the greater or less exclusion of our market.

In placing these points before the Chamber your Committee desires to add some further general considerations that are involved :

7th. Any given city may become a financial centre or may fail to do so, or to hold its position as such, for a variety of reasons more or less cumulative in effect. This city is a financial centre notwithstanding circumstances that are strongly adverse to its prosperity. Financial and commercial interests are closely related. The banks are a part. They are now taxed very seriously. The trust companies are a part. They are now taxed very seriously. The insurance companies are a part. They are now taxed very seriously. Inland transportation is a part. The railways are subjected to onerous differentials. Foreign shipping is a part. Our own has almost ceased to exist by reason, as many think, of unwise

laws and undue taxation. Our financial and commercial interests at large are believed to have suffered from some degree of laxity in local administration and from the disposition at Albany to put over upon the urban districts burdens that belong properly to the state at large, or, in some cases, to the rural districts. It would seem to be time for wise policies—policies intended to lift burdens and not to impose new ones.

8th. It is not only in our own interest that our burdens should be lifted, but in the interest of the state and nation. This city is the main source of the state's revenues. The state cannot afford to impede its growth or to hamper its work. To this city money is drawn in large measure from all the country. This is due to the operations of commerce at large, and also to the operations of insurance companies, of banks and trust companies; also in considerable part to the operations of Wall Street. Money comes here from the interior when times are dull, because there is always a market for it here. How much Wall Street contributes to this market may be understood in part from the fact that from 20 to 40 per cent. of all the loans of the banks are made upon stock collaterals. The money comes here and it goes out again in obedience to demands when crops are to be moved, to demands when great undertakings are to be financed, to demands in times of stress and panic. The state needs that we be prosperous. The whole nation needs that we fulfill the proper function of a great financial centre. It is not the interest of the state nor of the nation that there be several centres, for the operations of finance demand concentration.

Your Committee feels that it is right in urging that neither the measure of taxing stock transfers, nor any other measure that imposes any burdens differential in character and effect, should be imposed upon our City, and that the Legislature recognizing our fair disposition to bear necessary burdens should impose none other.

9th. It would appear, however, that no year passes of late when new and unusual burdens are not imposed. The state has come, somewhat suddenly as it would seem, to need greatly augmented revenues. Your Committee asks, in all candor, whether this is a reasonable condition of affairs. The needs of the administration grow, of course, but so also does population in some degree and wealth in greater degree. The augmentation of the sources of normal revenue should be greater than the augmentation of cost of administration. Is it not time to consider whether the demands of the day are not being enlarged contrariwise to sound economic ideas?



10th. It is the opinion of your Committee that these large demands have followed the disposition of the state to favor new methods of taxation. Many of the best public men of the state hold to the same view. Your Committee pointed out several years ago that the new system would inevitably lead to a sense of irresponsibility and to extravagance. The subject is one that demands the particular attention of business men, for not only do demands grow but there is no interest that may not become subject to new and unusual taxes levied to supply these demands. Doubt and anxiety are taking the place of confidence.

Your Committee, in view of the foregoing, submits the following resolution :

*Resolved*, That this Chamber, impressed by the importance of the matters dealt with in the above report, and approving the conclusions set forth in it, directs the Committee to cause the report to be printed and to send copies to the Governor of the state and to each member of the legislative bodies, and to ask for the same respectful consideration.

All of which is respectfully submitted.

(Signed,)	GEORGE F. SEWARD, <i>Chairman</i> , FRANK H. SCOTT, ISAAC N. SELIGMAN, GEORGE FOSTER PEABODY, GEORGE HAVEN PUTNAM, EDWARD D. ADAMS, HERMANN H. CAMMANN,	}	<i>Committee on          State and Municipal          Taxation.</i>
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NEW-YORK, *February 28th*, 1905.













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